

**Explanation Summary for the Briefing Regarding
Financial Results of the Year ended March 31, 2014
by Kenzo Tsujimoto, Chairman and CEO
(May 9, 2014)**

1. Greeting

(1) Greeting to audience

Thank you very much for taking the time to attend today's earnings announcement.

(2) Survey participation

I would also like to thank everyone for your participation in the interviews that we conduct every year. We appreciate the insights that we receive from analysts and investors in Japan and other countries concerning our medium-term goals, business strategies, IR activities and other aspects of operations. Your views are an important part of the information we use to reach management decisions.

(3) Today's presentation

Today, I will talk about three subjects: our performance in the last fiscal year, a three-year overview of our accomplishments and goals, and our progress toward reaching our medium-term goals.

2. Overview of the Fiscal Year 2013 Performance

| Overview of the Fiscal Year 2013 Performance | | | |
|--|--------|---------|------------|
| ■ Summary of the Performance in the FY2013 | | | |
| (Million yen) | | | |
| | 2013/3 | 2014 /3 | Difference |
| Net sales | 94,075 | 102,200 | 108.6% |
| Operating income | 10,151 | 10,299 | 101.5% |
| Operating margin | 10.8% | 10.1% | - |
| Ordinary income | 10,944 | 10,946 | 100.0% |
| Net income | 2,973 | 3,444 | 115.8% |

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(1) In the fiscal year that ended in March 2014, sales and earnings were higher than one year earlier. However, there was only a small increase in operating income mainly because of declines in profitability in Mobile Contents and PC Online sub-segment.

(2) Reasons for higher sales and earnings

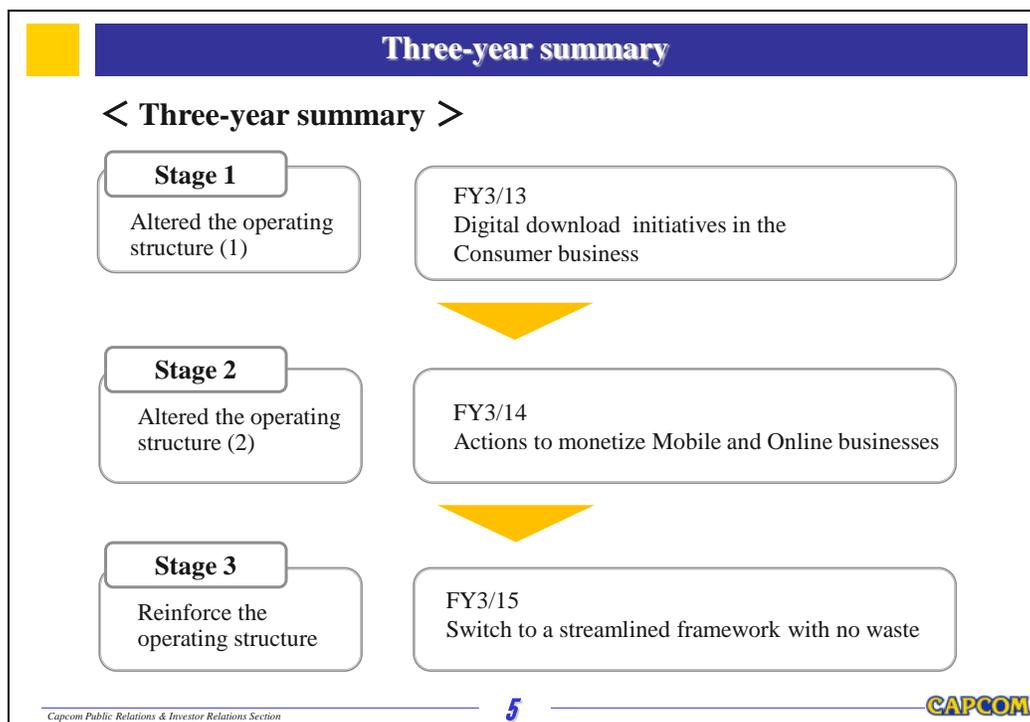
Sales in the Amusement Equipments business increased 6.3 billion yen because of the popularity of our “Monster Hunter” pachislo machine. Digital Contents sales increased 2.1 billion yen mainly because of the strong performance of the Consumer sub-segment, which included sales of “Monster Hunter 4”.

Operating income was down 2.5 billion yen in the Digital Contents business. The primary causes were the sales of the “Monster Hunter Frontier G” online game was under expectation, and the small number of major titles in the Mobile Contents sub-segment.

However, consolidated operating income was slightly higher than one year earlier due in part to the sales increase of 2.2 billion yen in the Amusement Equipments business.

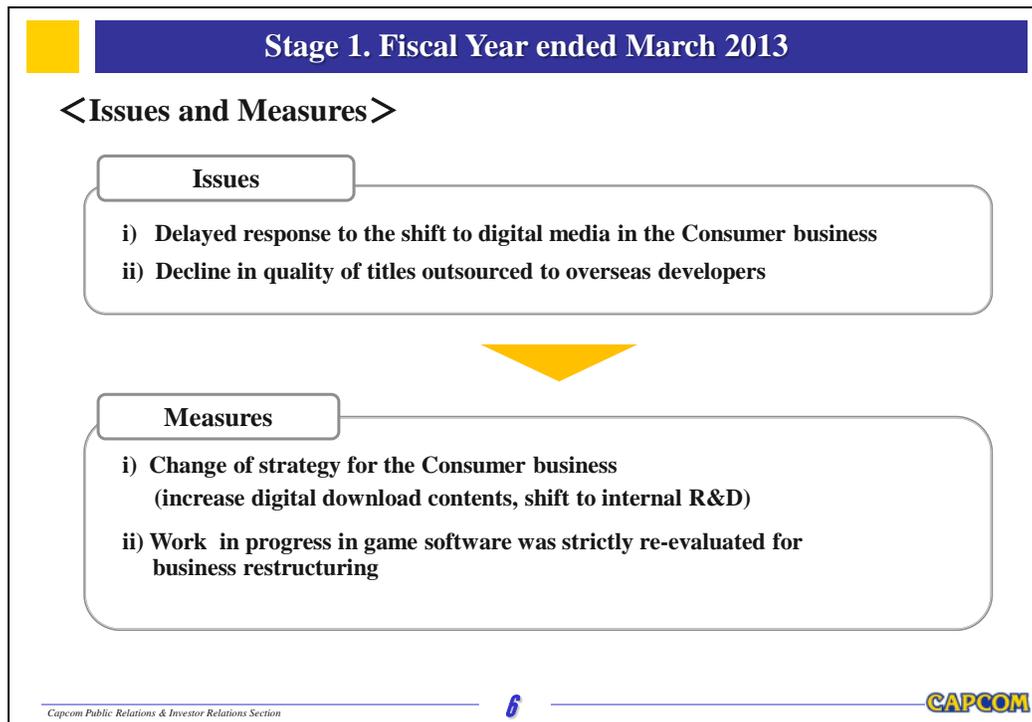
Net income increased ¥0.4 billion despite the recording of special losses of 5.6 billion yen including loss on restructuring, primarily due to the slump of mobile content.

3. Three-year summary



- (1) In the past two years, we have revised our forecasts because of special losses. These revisions have caused concerns and disappointment among our shareholders and other investors. We were convinced that Capcom would be unable to achieve medium-term growth unless we took these actions at those times.
- (2) From your standpoint, it may appear that none of our actions were successful, which resulted in repeated forecast revisions and lackluster performance. But we are managing Capcom in terms of five-year units. Therefore, our performance is not meeting our expectations in some ways, overall we believe that our performance is fair so far.
- (3) To eliminate this gap of our performance, I would like to once again explain each stage in the three-year period that ends with the current fiscal year.
- (4) The first stage is the reorganization of the Consumer business, which is the core of our growth strategy. The second stage is strengthening the Online business. The third and final stage is building a streamlined structure for the entire company.

4. Stage 1. Fiscal Year ended March 2013



In the first stage, there were two issues and initiatives.

(1) Issues in the March 2013 fiscal year

Our analysis of our markets and the causes of our shortfall in sales and earnings revealed two significant problems. The first was the need to move faster with digital download activities in the Consumer business. The second was the decline in the quality of titles that we outsourced to overseas companies.

(2) Issue 1: Digital download contents in the Consumer business

In 2012, the market of digital download content was 27% of all sales in the home video game market. But this percentage was only 11% at Capcom in the March 2013 fiscal year as our reliance on package software remained high.

(3) Accomplishments of the past year (higher digital download contents ratio)

We acted quickly to deal with the urgent problem of the low digital sales ratio. Our actions raised this number to 18% in the last fiscal year. This improvement was the result of our focus on full-game digital contents sales, including sales of “Monster Hunter 4,” and measures to strengthen overseas sales of old, lower-priced titles, including use of the STEAM platform.

(4) Issue 2: Decline in quality of overseas outsourced titles

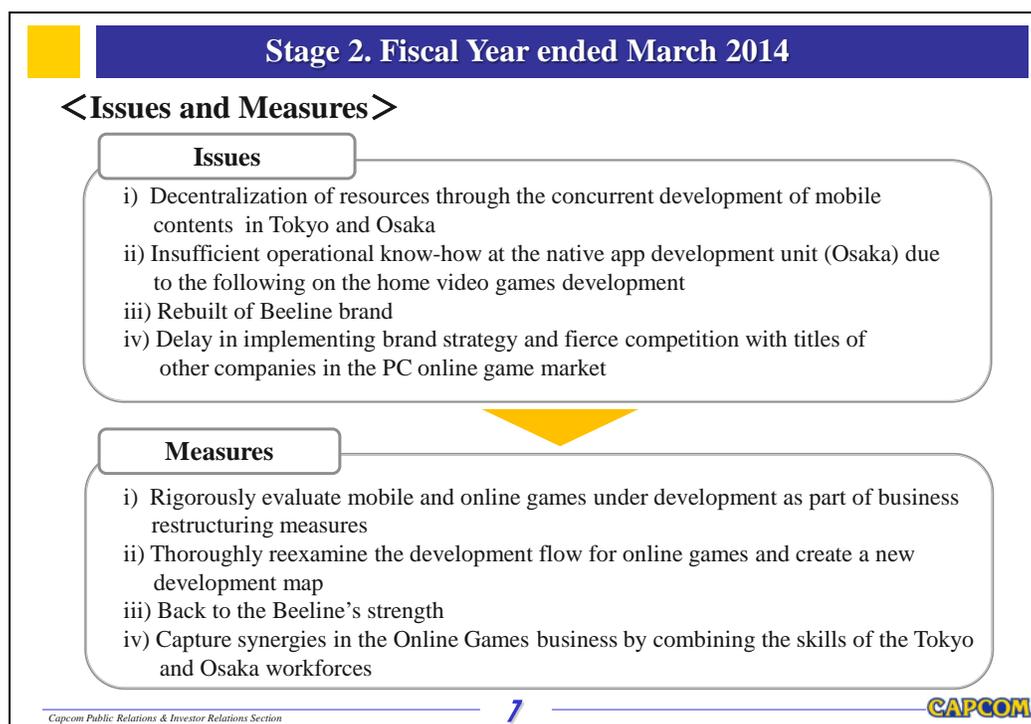
Rapid advances in technology in the game market are dividing development companies into two groups. One group is able to develop hit titles. But quality is declining at companies in the other group and they often fall behind schedules.

Due to this situation, we needed to perform more development work ourselves. Improving quality by accumulating know-how while closely following schedules results in higher profitability.

(5) Accomplishments of the past fiscal year (more internal production)

By shifting to a development framework with emphasis on internal operations, we cut the outsourcing ratio from about 50% in March 2013 fiscal year to about 36% in the last fiscal year, a reduction of 14 percentage points.

5. Stage 2. Fiscal Year ended March 2014



In the second stage, there were four issues and initiatives.

(1) Issues in the March 2014 fiscal year

In the past fiscal year, we took actions that targeted four problems: (1) the dispersion of resources due to developing mobile content in Tokyo and Osaka; (2) inadequate operational know-how in the native app development section (Osaka) because activities are based on the development of consumer games; (3) the need to restructure the Beeline brand; and (4) Competition with titles of other companies and the delay in enacting brand strategies in the PC Online business.

(2) Issue 1: Resource dispersion due to Tokyo-Osaka mobile content development

In the fiscal year that ended in March 2013, smartphone sales grew rapidly and the mobile game “Puzzles & Dragons” became a huge hit. We realized that consumers no longer wanted “simple games” and instead preferred “games with gameplay characteristics.” We decided to establish a brand during this period of market formation. To accomplish this, in the last fiscal year, we switched the Osaka fourth development section, which was mainly engaged in creating apps, to the development of smartphone social apps.

The Tokyo second development section, which developed browser social games like “Minna to Monhan Card Master” until March 2013, its focus remained on browser games. However, we have now increased emphasis on app development in response to the faster than expected shift in sales from browser games to smartphone apps.

Due to these actions, both Tokyo and Osaka became involved in the development of smartphone apps. This prevented us from centralizing our human resources and operational knowhow in this field.

- (3) Expected benefits this year (selection and concentration of resources)
Combining the Osaka and Tokyo mobile content development teams allows us to use our human resources more efficiently. Other expected benefits are a reduction in fixed expenses, mainly the result of a reduction in outsourcing, and the ability to pursue a unified mobile brand strategy.
- (4) Issue 2: Inadequate native app development section (Osaka) operational know-how due to use of consumer game development practices
The Osaka fourth development section has clearly demonstrated its skill in creating popular games. “Monster Hunter Massive Hunting” is a prime example. Downloads topped one million only two months after distribution started. Unfortunately, the titles produced by this section have not done well in terms of earnings due to problems involving the receipt of payments following downloads.

The cause is insufficient knowledge about the operational process. We need to analyze user behavior following distribution and then feed this information back to development personnel.

- (5) Expected benefits in the current fiscal year (acquisition of operational skills)
Development operations in Osaka have been absorbed by the Tokyo mobile team, which has much experience in the software operations business. This creates a framework developing games while leveraging the experience of both of these teams.

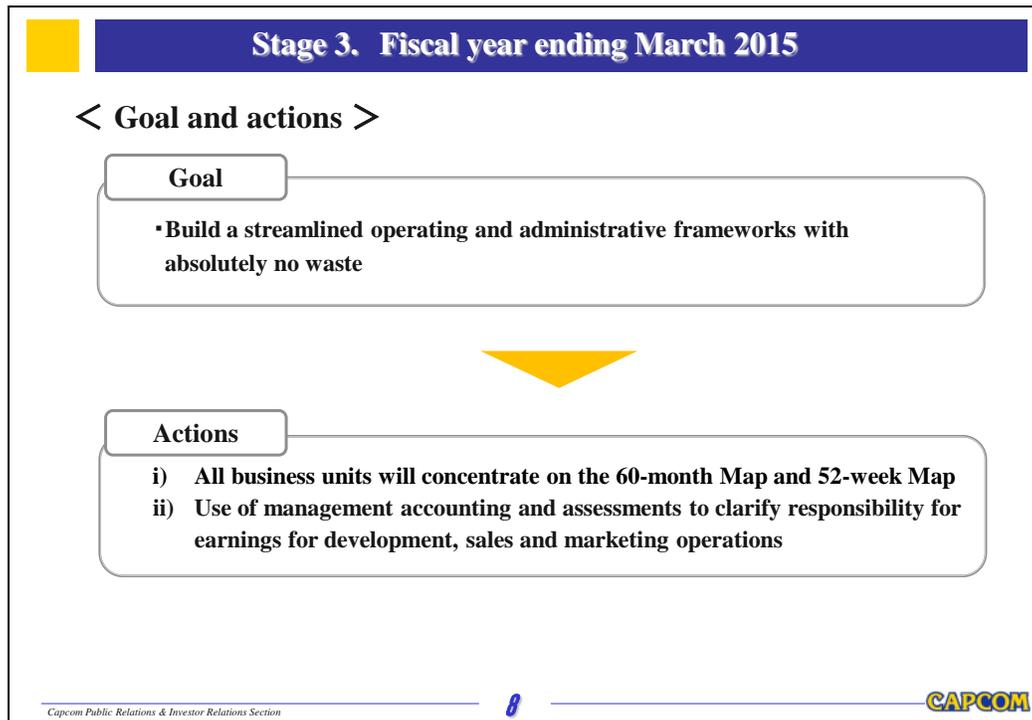
Of course, there is a constant evolution in the types of games that are popular. This is why Capcom needs to accumulate knowledge while analyzing our titles in order to develop the next hit titles.

In this fiscal year, I think that “Monster Hunter Smart” will be a key indicator of the performance of our mobile team.

- (6) Issue 3: Rebuild the Beeline brand
The Beeline brand has not been able to fully utilize its inherent strengths. None of the new Beeline titles became hits. Just as for the Capcom brand, we were overly concerned about the possibility of market dominance by “games with gameplay characteristics” from consumer game companies and about the key performance indicators of hit titles in Japan.
- (7) Expected benefits in the current fiscal year (titles that go back to the basics)
This year, we are returning to the highly agile operational format in which development and marketing activities are unified. This back-to-basics approach was successful with “Smurfs’ Village.” Our goal is to use our strengths to create hit titles.

- (8) Issue 4: PC Online competition with other titles and delay in brand strategy
In the PC Online business, “Monster Hunter Frontier” has been a consistent source of earnings. But performance is declining because of competition from new titles of other companies and competition from “Monster Hunter 4.”
- (9) Expected benefits in the current fiscal year (rebuild the brand strategy)
Regarding major updates, we launched “Monster Hunter Frontier GG” on April 23. This title is yielding benefits because the number of users is recovering. We will start taking full-scale actions in the PC Online business the next fiscal year.
- Regarding the brand strategy, we plan to use a strategy that separates PC online and consumer versions of titles so they do not compete with each other. I cannot give you any specific information at this time. In the fall of this year, we will start selling “Monster Hunter 4G.” I expect that the performance of this title will demonstrate the effectiveness of this brand strategy.
- Our overall brand strategy is to utilize in many sectors the content created in the Consumer business in order to contribute to the performance of all of Capcom’s businesses. There are no prospects for big hits in the Consumer business. But we will build an infrastructure that makes it easy to use consumer game content in other businesses like pachislo machines and arcade machines.

6. Stage 3. Fiscal year ending March 2015



The third stage is the current fiscal year, which ends in March 2015.

(1) Goal for the current fiscal year

The goal of the third and final stage is to take full advantage of the benefits of the first two stages. We plan to accomplish this by building streamlined operating and administrative structures with no wasted resources. To do this, we will reinforce our initiatives of the past two years.

There are two main initiatives. First is the rigorous execution in all businesses of medium-term strategic maps, which we call the 60-month and 52-week maps. Second is the use of management accounting and assessments for the purpose of clarifying responsibility for the profitability of development, sales and marketing operations.

(2) Expected benefits in the current fiscal year

In the current fiscal year, we are forecasting a 6.7 point improvement in the gross profit margin even though we anticipate a 22% drop in sales because this is a transitional phase for major titles. We expect the selling, general and administrative expense ratio to increase 3.6 points, but the ratio will be about the same as two years earlier. As a result, we forecast a 3 point increase in the operating margin. We will manage operations this year with a strong commitment to achieving these quantitative improvements in our performance.

7. Mid-Term Goals

Mid-Term Goals

■ Targets (cumulative) for 5 years starting FY2013

- Cumulative operating income: 80 billion yen
- Operating margin of 20% in fiscal year ending March 2018

■ Breakdown by Business Segments

| | Cumulative operating income from FY2013 to FY2017 | FY2017 Operating margin |
|----------------------|--|----------------------------|
| Digital Contents | 57.0 billion yen | 22% |
| Arcade Operations | 8.5 billion yen | 15% |
| Amusement Equipments | 30.0 billion yen | 27% |
| Other Businesses | 5.5 billion yen | 45% |

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We established new medium-term goals that start in the previous fiscal year in response to a strategic shift to reflect changes in our markets. In the past fiscal year, there was a ¥2 billion shortfall in operating income relative to the five-year goal. Although our performance is not as planned at this time, I believe that we can cover this shortfall during the remaining four years.

Analysts and investors have told me that our earnings and profit margin targets are high. However, I believe that we can accelerate growth in the second half of the five-year period. I foresee significant benefits from the three-stage process that will end with this fiscal year. Furthermore, I am confident that we will see major benefits from the three core elements of our growth strategy: shift the Consumer business to a focus on digital download content; alter the framework for monetizing content in the Online Games business; and create a streamlined structure for operations.

This completes my presentation. Next, the president will give you more specific information about our strategies.